

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Exchange Bank

Point of Contact:	Greg Jahn	RSSD: (For Bank Holding Companies)	0
UST Sequence Number:	177	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	43,000,000	FDIC Certificate Number: (For Depository Institutions)	8468
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 19, 2008	City:	Santa Rosa
Date Repaid ¹ :	N/A	State:	California

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

The addition of TARP capital in December 2008 was instrumental to Exchange Bank's (The Bank) mission of providing financing to support the local communities in which we serve. The Bank funded new loans totaling approximately \$152MM during the year ended 12/31/11

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X To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

The Bank funded new loans in excess of \$152MM during the year ending 12/31/11 as follows: 1) Residential mortgage loans - \$34.1MM, 2) Commercial and small business loans -\$60.2MM, 3) Commercial real estate loans - \$49.7MM, 4) Consumer loans - \$8.2MM

X Increase securities purchased (ABS, MBS, etc.).

The Bank supported the housing markets and credit markets through the purchase of investment securities as follows: \$16.3MM of MBS securities, \$9.9MM of Municipal securities, \$197.9MM of Agency Notes (FNMA, FHLMC, FHLB).

X Make other investments.

The Bank invested in the purchase of premises and equipment totaling approximately \$2.8MM during the year ending 12/31/11.

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☐ Increase reserves for non-performing assets.

☒ Reduce borrowings.

The Bank was able to reduce borrowings from the Federal Home Loan Bank by \$6MM for the year ending 12/31/11.

☒ Increase charge-offs.

TARP capital allowed the Bank to accelerate the clean up of problem construction, land development and commercial real estate loans helping the market eliminate excess inventory by charging off and disposing of approximately \$15.5MM in problem assets.

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☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

The injection of \$43MM allowed the Bank to achieve a Tier I capital to assets ratio (leverage ratio) of 9.98% as of 12/31/11. Without the \$43MM of TARP capital the Bank's leverage ratio would have been 7.22%.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Without the access to TARP capital the Bank would not have been in a position to extend new loans in excess of \$152MM during the year ending 2011 and the portfolio would have declined by approximately \$150MM. TARP capital allowed the Bank to continue as one of the largest private employers in Sonoma County. The Bank's employment base grew slightly during the year ending 12/31/11, with the addition of 5 full time equivalent employees. The Bank remains committed to supporting the community through the employment of over 400 individuals. Without the access to TARP capital the Bank would have been forced to shrink the Bank aggressively. The Bank was able to avoid staff reductions which would have contributed to the further loss of jobs in our market area.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Exchange Bank was able to support a wide range of charitable groups within it's local community with contributions in excess of \$430,000 during the year ending December 31, 2011.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.